

DD-ABG-895
PPC/CDIE/DI

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON DC 20523

MEMORANDUM

TO: See Distribution (attached) MAY 31 1990
FROM: LAC/DP, Bastiaan B. Schouten *B. Schouten*
SUBJECT: Review of Chile Action Plan for FY 1991-1992

Attached for your review and comment is the Chile Action Plan for FY 1991-1992. Additional copies may be obtained from LAC/DP, RM 2246 NS.

Please provide all Action Plan issues to Pete McLain, LAC/DP, Room 2246 NS, 7-5664, in writing no later than June 7, 1990 COB. A preliminary issues paper will be distributed Monday morning, June 11.

Program week for the Chile Action Plan review will be June 11 - June 15, 1990. The issues meeting chaired by LAC/DP Director Bastiaan Schouten, will be Monday June 11, at 2:00pm in Room 2248 NS. The Action Plan Review, chaired by DAA/LAC Fred Schieck, will be Wednesday June 13, at 2:00pm in Room 2248 NS.

A wrap-up meeting, chaired by Mr. Schieck, involving the Chile AID Representative, LAC/DP, LAC/DR, and LAC/SAM Office Directors, and core group staff will be held on Friday, June 1, at 10:00am in Room 6256 NS.

LAC/DP: 5/31/90: 7553G

CHILE
ANNUAL ACTION PLAN
FY 1991 - 1992

Distribution List

<u>OFFICE</u>	<u>AMOUNT</u>	<u>ROOM #</u>	<u>NAME OF PERSON</u>
AA/LAC	1	6256 NS	James Michael
DAA/LAC	1	6256 NS	Frederick Schieck
SA/LAC	1	6256 NS	Lindy Keenan-Wood
GC/LAC	1	3417A NS	Tom Geiger
LAC/CONT	1	3247 NS	Cecile Adams
LAC/EMS	1	3908 NS	William Granger
LAC/DR	5	2248 NS	Terrence Brown
LAC/SAM	3	5258A NS	Robert Queener
LAC/PSA	1	3253 NS	Alexander Shapleigh
LAC/DI	1	3253 NS	Norma Parker
LEG/OD/LAC	1	2895 NS	David Liner
ARA/SC	1	5911 NS	Joel Cassman
ARA/ECP	1	3234 NS	Dana Marshall
PRE/H	1	401 SA-2	Peter Kimm
PRE/DP	1	3208 NS	
PPC/PD/PR	1	3892 NS	Beverly Nelson
PPC/PB/C	2	3841 NS	Monica Muhammed
PPC/CDIE/DI	2	208 SA-18	Janet Ballantyne
PPC/WID	1	3725 NS	Martin Hewett
PPC/EA	1	3947 NS	Jerome LaPittus
S&T/PO	1	311-B SA-18	Douglas Sheldon
FVA/FFP/LAC	1	244 SA-8	Sam Scott
USAID	5	USAID/Chile	c/o Program Office USAID/Chile
LAC/DP	15	2246 NS	BSchouten/HKaufman PMcLain/JFox/CZuvekas/JElliot RMeehan/JFrancis/Official file

4557F

CHILE
ANNUAL ACTION PLAN
FY 1991 - 1992

Distribution List

<u>OFFICE</u>	<u>AMOUNT</u>	<u>TELEPHONE</u>	<u>NAME OF PERSON</u>
OMB	1	Tel 395-4594	Mr. Ron Silberman Office of Management & Budget New Executive Office Building Rm 8235 725 17th Street, NW Washington, DC 20503
Treasury	1	Tel 566-2373	Mr. James H. Fall Director, IDN Department of the Treasury 1500 Pennsylvania Ave. N.W. Washington, DC 20220
Agriculture	1	Tel 382-9225	Mr. Bill Emerson Area Manager FAS/EC/PPP/LACO Department of Agriculture Room 4520, South Building 14th & Independence Ave. SW Washington, DC 20250
Peace Corps	1	Tel 254-6896	Mr. Doug Frago Associate Director International Operations PEACE CORPS 1990 K Street N.W. Room 7100 Washington, DC 20526

- 1 -

Chile

FY 1991-1992 Action Plan

Section I. Program Overview

The ADC program in Chile is driven by the country's transition to democracy after sixteen years of military government. The peaceful elections in December 1989 and the seating of a civilian President and representative legislature in March 1990 successfully culminated a crucial first stage of the transition process. As highlighted by Secretary Baker this year in his statement to the Senate Foreign Relations Committee, the promotion of democratic values is ranked as the first of five key foreign policy challenges facing the U.S. Over the FY 1991-92 Action Plan period and beyond, the principal focus of the ADC program in Chile will be on helping with the consolidation of the democratic transition process.

A.I.D. support for democratic initiatives in Chile began in FY 1988 with financing for the activities of the National Endowment for Democracy and the voter education campaign carried out through the Center for Electoral Assistance and Promotion of the Interamerican Institute of Human Rights. Currently, the A.I.D. democratic initiatives program concentrates on three strategic areas: civic education, legislative process and administration of justice. Each of these efforts address key democratic values and institutions weakened during the period of military rule. (See the Annual Portfolio Report and FY 1989-90 Action Plan for additional discussion of these activities.)

In his address to the Senate, Secretary Baker listed the promotion of market principles as the second key foreign policy challenge and emphasized that political and economic liberty go hand-in-hand. There is no question that strengthening of democratic institutions and consolidation of the democratic process in Chile are inextricably linked to preserving its successful free market oriented economic model.

Consensus appears to be building among mainstream Chilean political leaders that the free enterprise model must be continued to guarantee further modernization and economic progress. At the same time, however, it is recognized that significant social inequities still exist. The new government -- elected in part on the basis of a pledge to address these social inequities -- will be facing tremendous pressures to expand social services, particularly in health, education, housing and environment. The need to expand public sector social services, however, must be balanced against a

corresponding need to maintain sound fiscal and monetary policies. Avoiding the rapid expansion of large public sector programs will depend largely on the ability of the new Chilean policy makers to identify innovative market oriented solutions and to buy the political time needed to let such adjustments take effect. It will also depend, in part, on the responsiveness of the Chilean private sector to participate in addressing social issues and public concerns more directly than in the past.

In this context, the current ADC program objective with regard to promoting free market principles is to assist progressive elements in the private sector to promote the understanding that the business community has a vested self-interest in using Chile's free enterprise model to address the needs of the poor. Program activities in this area include: executive training in modern labor management principles and related research in labor economics; expansion of opportunities for small (including micro) and medium businesses; improvement of private sector support of vocational and worker skills training; increased private sector participation in the generation of low cost shelter solutions; and, mobilization of business support for voluntary services.

In addition, the ADC program is increasingly helping Chile to address the problems of environmental degradation, one of the three trans-national dangers raised by Secretary Baker as a key foreign policy concern. To date, A.I.D./Chile's environmental efforts have been concentrated on problem assessment, awareness generation, and consensus building, particularly among the business sector, government officials, environmental groups and the university community. A small training program in pesticide and agro-chemical handling for rural laborers is also being financed in FY 1990.

Section II. Appropriateness of the Country Strategy

Assistance with the consolidation of the democratic transition through three strategic democratic initiatives -- civic education, legislative process and administration of justice -- clearly must continue as the priority objectives beyond the FY 1991-92 Action Plan period. The incoming Patricio Aylwin administration is viewed as a transitional government. The 17-party opposition coalition, which supports the Aylwin government, actively sought the constitutional amendment which shortened the current President's term to four years, after which the eight-year term established by the 1980 constitution will apply. During this four year period, the Aylwin administration expects to set the stage for a lasting

democratic process in Chile. Accordingly, the time perspective for this second phase of ADC program support for democratic initiatives coincides with the four-year period of this initial and transitional civilian government.

Each of the ADC supported democratic initiatives address critical needs for strengthening democratic values in Chile. Because of the relationships established in the FY 1988-90 period, it is unlikely that any other external donor could readily or fully replace A.I.D. in these specific areas at this time. The high visibility and importance of these sensitive initiatives -- which will be intensified with the additional resources called for in the Action Plan period -- will require the additional monitoring capacity proposed in Section V.

The mobilization of increased private sector involvement in social interest concerns will continue to be an important objective as well as one that directly complements the consolidation of democratic values. Start up of new activities in this area will be limited during the FY 1991-92 Action Plan period, however, to concentrate staff and funding resources on the individual activities and institutional relationships already established.

On the other hand, the ADC program focus on environmental issues is expected to expand to the degree that the new Government of Chile demonstrates the political will and ability to move ahead on environmental issues. At this time, it is too early to make a definitive assessment of the government's eventual program, but indications to date are favorable. The existing relationship with the World Resources Institute, under a S&T/FENR project that furnishes A.I.D./Chile with technical and management support on its environmental activities, is good and this mechanism will be continued.

A possible new area to be addressed by the ADC program is the serious weakness in mid-level public sector management, in both central and municipal governments. The incoming administration has found that key Ministries lack operational depth below the top level. Analytical and managerial skills need to be upgraded over the next four years if the government is to function effectively.

In this context, training is also necessary to help promote the effective analysis of policy options to further improve the private provision of social services. While the previous regime was very successful in putting the macro policies in place to restructure the economy and align its social service delivery system towards market principles, some of the programs

simply are not working as well as they could or, at the micro-level, could benefit from administrative improvements and efficiencies that draw on private sector capacities and management know-how.

Section III. Performance

The FY 1989-90 Action Plan period represented a design and start-up phase during which the new A.I.D. office was established in Chile and an ADC program successfully launched.

Consistent with LAC Bureau ADC guidelines, the focus of the Chile program on democratic initiatives and the private sector follows three governing principles: (1) strengthen the policy and institutional framework needed to sustain a democratic and free market system; (2) foster beneficial relationships among U.S., Chilean and international institutions, mobilizing private financial and technical resources; and, (3) advance strategic objectives of mutual interest to the U.S. and Chile, in this case, democratic initiatives and the environment. These principles have been maintained in the identification and development of high priority democratic initiatives and private sector activities which are administered by local organizations such as PARTICIPA (Civic Education), PROPESA (Microenterprise) and CIPMA (Environment), drawing on technical and financial assistance from a broad range of U.S. and international organizations.

The Microenterprise Promotion Project is a good example of how the A.I.D. program in Chile, with modest resources, effectively promotes ADC objectives of strengthening relationships among U.S. and Chilean institutions, leveraging non-U.S. Government resources and reinforcing the free market system. In 1988, A.I.D. granted \$300,000 to assist PROPESA, a non-profit foundation established by Chilean business leaders to provide technical assistance and credit to small businesses. Through PROPESA and similar organizations, the Chilean business community hopes to broaden the access to and benefits from the free enterprise system on a long term, sustainable basis. Building on the institutional and financial base established with A.I.D. seed capital, the PROPESA Board of Directors actively solicited additional resources from other organizations. As a result, PROPESA successfully raised local contributions, primarily for its credit program. In addition, PROPESA solicited contributions from the Ford Foundation to continue fund-raising activities; the Fundaci n Andes for a reference library; and, the Tinker Foundation for staff training and exchanges with neighboring countries. During 1990, PROPESA will seek resources from the IDB and other donors

to expand its assistance to small businesses. By the end of 1991, it expects to achieve full financial self-sufficiency.

Another area in which the A.I.D. program is successfully advancing mutual interests of the U.S. and Chile is assisting with the development of an environment and natural resources management strategy for Chile. Through a grant to the Center for International Development (CIDE) of the World Resources Institute, A.I.D. is initially focusing attention on an environmental assessment, public awareness and consensus building among scientists, business leaders, government officials and PVOs on environmental issues.

Equally important, although not a specific objective of the A.I.D. Chile program, the A.I.D. Representative's Office has helped promote Chile's unique role as an economic and political model for the Latin America region. In particular, Chile has significant potential as a regional training center. During 1989, Chile hosted a number of A.I.D.-sponsored study groups. USAID/Honduras sent two groups; one, a group of political leaders to look at economic policies and the other to look at contracting mechanisms for private road maintenance. USAID/Costa Rica sent a group to look at the private social security system. USAID/Guatemala sent a group to look at private sector promotion. NRECA also sent a group from Central America to look at privatization of the electrical system. In addition, the observer group sponsored by A.I.D. for the December 1989 elections contained a training component. To expand this role as a regional training center, the A.I.D. office has reviewed post graduate programs in Chile and prepared a guide to third country training possibilities which will be distributed to LAC Missions.

With respect to performance against program objectives, there was steady progress in implementing the three democratic initiatives components:

Civic Education. By effectively mobilizing local action groups to conduct national voter education and registration campaigns, PARTICIPA was instrumental in the successful outcome of the 1989 elections. The next step in further strengthening democratic processes in Chile is to focus public attention on citizens' rights and responsibilities in a democratic society by expanding and institutionalizing civic education programs. PARTICIPA has had a good start initiating an active civic education program in Central Chile and will continue to concentrate efforts on civic education during FY 1990.

Legislative Process. Although the Catholic University of Valparaiso, Center for Legislative Studies and Analysis (CEAL) has successfully established working facilities in Valparaiso, it has taken longer than planned for CEAL to establish itself as an authoritative resource on legislative matters and to develop a supportive relationship with the new Congress. Despite initial problems, including the departure of two senior CEAL staff, program implementation is proceeding. In January 1990, CEAL successfully organized a seminar on legislative process, attended by political party leaders. A recent round of briefings by visiting SUNY and Congressional Research Service officials on project objectives helped promote CEAL services among the new Members of Congress.

Administration of Justice. Working through CPU, a Chilean PVO, the administration of justice grant is effectively stimulating debate on legal issues and assisting justices, academics and lawyers to build consensus on legal issues and the reforms necessary to strengthen the judiciary under a democratic government. Training seminars have been held on civil code reform and the protection of human rights. The Institute of Judicial Studies has distributed papers for judicial correspondence courses on state and judicial powers, establishing rights for justices and the function of ombudsmen. In addition, technical assistance was provided on administration problems of the courts. The consensus developed during this project provides a strong basis for more specialized assistance to the Ministry of Justice, particularly in establishing an independent judiciary. The new Minister of Justice is a close associate of CPU and has a strong interest in project activities.

The start-up of programs to improve the social responsiveness of the Chilean private sector has been slower than anticipated and some program objectives have not been fully met. The reassurances of the Aylwin administration to continue the free market model, the poor showing of the left in the elections, and consensus with labor on major economic policy issues have perhaps reduced the sense of urgency among business leaders to become actively involved in social issues.

On the positive side, A.I.D. assistance to small business development has begun to yield good results. As discussed above, the A.I.D./Chile program with PROPESA is proceeding as planned, with advisory services and credit being successfully provided. Building on initial assistance to FINAM for a baseline community-based enterprises study completed in May

1990, A.I.D. is expanding funding to FINAM (the local affiliate of Women's World Banking) to strengthen its technical assistance and credit programs for women entrepreneurs.

The results of assistance to the Concepcion Chamber of Production and Industry, however, have been more problematic. Although planned activities took place to build support within the Chamber for assistance to small enterprise development, it became evident that business leaders in Concepcion -- an area noted for labor-management tensions -- are not yet ready to become active in social programs. Similarly, the training program originally planned with INACAP did not take place because of lack of interest at INACAP. An alternative course of action is being developed to pursue a slower approach of consensus building among the private sector, government, instructors and the education sector leaders on how to go about modernizing skills training and vocational education.

Working with World Resources Institute and CIPMA (the leading Chilean environmental PVO), A.I.D. jointly sponsored, along with major national and multinational organizations, a symposium on the environment. Presidential candidates Patricio Aylwin and Hernan Buchi participated in the symposium, which served as a public forum for discussing their views on the environment. In addition, A.I.D. has assisted the Institute of Urban Studies of the Catholic University to edit and publish a national map of environmental problems. Largely as a result of these constituency-building efforts, A.I.D. has helped stimulate public awareness of environmental concerns and focus attention on the need for a balanced, long term environmental strategy. By supporting additional low-cost interventions, the A.I.D. program will expand environmental activities which strengthen local PVO capabilities and promote ties with international environmental groups.

The A.I.D. Housing Guarantee Program is successfully increasing the availability of low-income housing in Chile and strengthening private housing cooperatives, one of the few democratic institutions which functioned in Chile under military rule. Through COVIP, a coalition of housing cooperatives, and the Chamber of Construction, loan proceeds have been fully disbursed, with 644 homes built and occupied and another 476 under construction. By the end of the four-year program, it is expected that over 3,000 units will be constructed and sold, 60% more than the original target of 2,000 units. During FY 1990, this program will be expanded to include a larger geographic area and lower income families not currently covered.

Section IV. New Program Initiatives

The democratic initiatives component of the ADC portfolio will require substantial resource commitment in FY 1991-92 to achieve program objectives in each of the three strategic areas already targeted. In civic education, a four-year, \$2 million life of project (LOP) grant is planned for continued institutional development of PARTICIPA, focusing on its capability to carrying out a range of public education functions. Among other things, assistance will be given to PARTICIPA's involvement in and support to the local government election process that must be carried out before 1994 -- an important element of the democratic transition process. In administration of justice, a major new activity is planned to begin in FY 1991 and funded incrementally at a \$3-3.5 million LOP level. It will help bring about a more independent judiciary, a critical step in regaining public confidence in the judicial system. In legislative process, the existing program with SUNY to strengthen CEAL's services and support capabilities for the new Congress will be extended a fourth year to FY 1993 and funding doubled to \$2 million. The expansion is needed if CEAL is to prove itself a useful source of non-advocacy technical assistance to its diverse and difficult clientele. As the priority of democratic initiatives within the ADC program becomes more widely recognized within Chile, A.I.D./Chile is already being approached by think-tanks, community service organizations and other groups for support for specific events and other activities. Funding flexibility of up to \$250,000 annually in FY 1991-92 is requested to be able to respond to those initiatives which directly support program objectives.

Under the private sector social responsiveness component of the ADC portfolio, only one FY 1991 start-up is planned at this time. This start-up will be a follow on to the technical assistance and training furnished as part of a FY 1990 buy-in to the PPC-WID GENESYS project. The \$200,000 LOP grant will be made to FINAM to support a microenterprise program to provide access to credit by low income women in Santiago.

Additional small scale private sector support activities are at various stages of discussions and one or two could materialize for funding in FY 1991. These include the possibility of launching a Junior Achievement program with the business community and strengthening private sector mechanisms for venture capital financing and joint venture promotion. While these ideas are at too tentative a stage to warrant the attachment of new activity summaries, budget flexibility is being requested in FY 1991-92 to permit continued dialogue with

the potential implementing groups. Any activity selected for financing under this component will have to demonstrate a contribution toward program objectives by strengthening the access mechanisms of small (including micro) and medium business to capital, innovative technology and technical assistance and/or by promoting voluntary service within Chile's business community.

For FY 1991 a \$10-20 million housing guarantee is programmed to help promote access to Chile's private capital market on the part of the low income shelter sector. Similarly, A.I.D./Chile is discussing with PRE the possibility of operating one of its small business loan portfolio guaranty programs in Chile.

Section V. Resource Requirements

The projected threefold increase in democratic initiatives funding is consistent with the priority focus of the Chile ADC program and the opportunities to assist the newly elected Government of Chile with the consolidation of the democratic transition. To help manage this increased level of resource commitment, A.I.D./Chile requests the assignment of a regional administration of justice officer by no later than the last half of FY 1991. This regional AOJ officer, who would be expected to devote about half time towards the management of the Chile democratic initiatives activities, would be complemented by the addition of a full-time FSN professional during mid FY 1991. These two positions must be filled in time to assure overlap with the USPSC who is currently monitoring the democratic initiatives activities before her contract expires in late FY 1991.

Funding under the regional ITT account would rise about 30% annually in FY 1991 and 1992. Part of this increase, however, is attributed to support for the housing guaranty programs which will require intensive implementation monitoring. In conjunction with RHUDO/SA, A.I.D./Chile is initiating funding of a regional housing finance consultant based in Chile. With approximately \$250,000 annually beginning in FY 1990, about 70% of the consultant's time will be paid for with A.I.D./Chile program funds. We will also fund periodic training and short term consultancies by a variety of experts to be carried out collaboratively with RHUDO/SA. The consultant would be located in a housing sector institution, outside of the A.I.D. offices; program funds would cover secretarial services, communications and other in-country logistic costs.

In addition, A.I.D./Chile proposes to continue using small amounts of ITT program funds to further strengthen the capacity

of the U.S.-Chile Binational Center (BNC) to play an active role in the promotion of vocational educational participant training carried out under the ADC regional training program. Activities would include screening applicants, placement assistance, predeparture orientation, and follow-up.

Finally, a new FSN position is needed to strengthen the financial management capacity of A.I.D./Chile particularly as the responsibilities for obligation and disbursement of the democratic initiatives activities are transferred from A.I.D./W to the field. This position would provide accounting and data processing assistance for the senior FSN financial analyst, whose duties have been recently upgraded.

The management plan described above attempts to maximize the use of program funds to provide the increased monitoring capacities required to support the projected portfolio growth. Nevertheless, the assignment of the requested regional AOJ officer would have significant operating expense implications. The initial costs would include transfer costs and procurement of household furnishing since A.I.D./Chile has no inventory and the Embassy does not have sufficient furniture to fill this need. Recurrent annual operating expense costs would include rent and utilities, international travel, communications, education allowances, etc. The FAAS costs would be affected slightly with the addition of a full-time USDH. Similarly, the two new FSN employees would also add about \$45,000 to the annual operating expense budget.

In summary, by FY 1992, the A.I.D. program management resources provided by operating expense would consist of:

A.I.D. Representative	USDH	Full-Time
Regional AOJ Officer	USDH	Half-Time
AOJ Program Specialist	FSN PSC	Full-Time
Private Sector Program Specialist	FSN PSC	Full-Time
Financial Analyst	FSN DH	Full-Time
Accounting Clerk/ADP Specialist	FSN PSC	Full-Time
Two Bilingual Secretaries	FSN PSC	Full-Time

In addition, with program funds the services of a USPSC housing finance advisor, 70% time, supplemented by short term consultants and support staff would be in place. Also, the BNC would be technically capable of providing administrative support for the participant training program.

Since A.I.D./Chile already operates within a strict operating expense budget -- e.g., the Embassy provides office space and staff have been kept to a minimum -- a ten-percent reduction in

operating expenses would severely affect ability to implement the proposed FY 1991-92 program. If a reduction were imposed, A.I.D./Chile would be required to cut staff and would be unable to manage the new Administration of Justice Project.

Section VI. Program Issues

1. Public Sector Training

Is the mid-level public sector training proposed for FY 1991-92 an appropriate activity for an ADC program, which should normally focus on strengthening non-government institutions and relationships? Since the ability of government organizations to function effectively within a democracy was seriously weakened during sixteen years of military rule, can strengthening ministerial capabilities to plan and manage public sector programs be considered a democratic initiative?

2. Health Sector Activities

A. Given the continued uncertainty over the Congressional approval of a \$10 million earmark for health activities, the Action Plan was completed without discussion of potential programs. Should the earmark be approved, a design team for a major health initiative would be required. Will supplemental OE and PD&S funding be available to support a design team or could earmark funds be used for this purpose, at least for contract assistance?

B. Although improvement in public sector health activities is not a direct objective of the ADC program, should some assistance be provided in this area if the proposed \$10 million Congressional earmark does not go forward, particularly since it is a high priority for the new government?

C. The A.I.D./Chile program relies on leveraging resources from A.I.D. central bureaus. Since S&T/Pop has eliminated funding for contraceptives, will supplemental LAC Bureau resources be available to continue to support what has been a successful population program in Chile?

D. Since AIDS does not yet appear to be a serious problem in Chile, this is an important time to expand public awareness and prevention efforts, particularly among high risk groups. To what extent should A.I.D./Chile consider adding this as a new activity? Would central funding be available to support an AIDS program or should ITT funds be budgeted for this purpose?

SUMMARY FUNDING TABLE FOR NEW AND ONGOING ACTIVITIES
(\\$000)

<u>Activity</u>	<u>FY 1990</u>	<u>FY 1991</u>	<u>FY 1992</u>
<u>I. LAC Bureau</u>			
A. <u>ITT</u>			
1. Human Resource Management	100	200	50
2. Small & Medium Business	150	300	350
- EMPRETEC	(50)	-	-
- FINAM/WID	(100)	(100)	(100)
- Investment Promotion & Other	-	(200)	(200)
3. Vocational Education	100	100	100
4. Participant Training Support	50	-	50
5. Environment	320	250	400
- WRI	(200)	(250)	(300)
- AIFLD Pesticide Management	(120)	(-)	(150)
6. Local Govt./Pub. Sect. Training	-	300	400
7. Housing Sector Support	205	250	250
B. <u>Participant Training</u>	100	120	150
C. <u>Administration of Justice</u>	-	1,000	1,000
E. <u>Democratic Initiatives</u>	770	1,250	1,250
1. Civic Education	(470)	(500)	(500)
2. Legislative Process	(300)	(500)	(500)
3. Other	-	(250)	(250)
F. <u>PD&S</u>	10	10	10
<u>Total LAC Bureau (3)</u>	<u>1,805</u>	<u>3,780</u>	<u>4,010</u>
<u>II. Other A.I.D. Funding</u>			
A. <u>S&T/POP (1)</u>	1,000	800	800
B. <u>PPC (WID)</u>	60	60	60
C. <u>PRE (2)</u>			
1. Housing Guaranty	(5,000)	(15,000)	(15,000)
2. Small/Medium Business Guaranty	(2,000)	(3,000)	(3,000)
D. <u>Science Advisor</u>	400	400	400
<u>Total Other A.I.D. Funding</u>	<u>1,460</u>	<u>1,260</u>	<u>1,260</u>
<u>Total Funding</u>	<u>3,060</u>	<u>4,790</u>	<u>4,970</u>

- (1) Assumes continuation of contraceptive supplies in 1991-92.
 (2) Non-additive since not appropriated funds.
 (3) Excluded \$100,000 of POP to be returned to Bureau.

SUMMARY ACCOUNT FUNDING TABLE FOR LAC BUREAU
(\\$000)

<u>Account/Project</u>	<u>FY 1990</u>	<u>FY 1991</u>	<u>FY 1992</u>
<u>ARDN</u> (ITT)	120	-	-
<u>POP</u> (ITT) *	(100)	-	-
<u>EHR</u>			
1. ITT	350	600	600
2. Training	100	120	150
<u>PSEE</u> (ITT)	465	810	1,010
<u>ESF/PSEE</u>	770	2,250	2,250
<u>TOTAL LAC BUREAU</u>	<u>1,805</u>	<u>3,780</u>	<u>4,010</u>
1. ITT	1,695	3,650	3,810
2. Training	100	120	150
3. Other (PD&S)	10	10	50

* Non-additive since current plan is to return allotment to Bureau.

NEW ACTIVITY DESCRIPTION

Activity: Private Sector Housing Guarantee Program

Activity Funding: \$10-20 million

Functional Account: N/A

A. Relationship to A.I.D. Country Strategy/Objectives:

Low income housing is a fundamental element in the Government of Chile's social program. Consistent with the objectives of the ADC program in Chile, the Private Sector HG Program will assist the government in this effort by strengthening the role of private sector mechanisms in addressing low cost shelter requirements.

B. Conformance with Bureau ADC Guidelines:

This activity will promote broad based economic and social development using the private sector.

C. Project Description:

The follow-on Housing Guarantee Program will continue to support private sector provision of low cost housing by concentrating assistance in three areas.

1. The HG Program will promote the expansion of existing private sector financial mechanisms and institutions into long-term financing of affordable housing for lower income groups. The use of insurance and social security funds will be a particular focus of this effort.

2. Except for cooperatives, the private sector is not involved in the shelter requirements for lower income and extreme poverty groups. Through the new program the private sector will be encouraged to assist these groups, relieving the government from its current role as sole provider.

3. The HG Program will strengthen efforts to assist the informal sector, through PVOs and other community groups, to access formal financial institutions and mechanisms for housing needs.

D. Potential Issues

This program will include substantial policy dialogue with the new government and require regulatory and legislative reforms, such as permitting private sector access to the lower income housing market, which must be built into program design.

NEW ACTIVITY DESCRIPTION

Activity: Private Sector Housing Technical Assistance

Activity Funding: \$250,000 FY 1991, \$250,000 FY 1992

Functional Account: PSEE

A. Relationship to A.I.D. Country Strategy/Objectives:

Low income housing is a fundamental element in the Government of Chile's social program. Consistent with the objectives of the ADC program in Chile, the Private Sector HG Program will assist the government in this effort by strengthening the role of private sector mechanisms in addressing low cost shelter requirements.

B. Conformance with Bureau ADC Guidelines:

This activity will promote broad based economic and social development using the private sector.

C. Project Description:

The purpose of this activity is to provide complementary technical assistance to support the new \$10-20 million Housing Guarantee Program proposed for FY 1991, which will require intensive implementation monitoring. In conjunction with RHUDO/SA, A.I.D./Chile is initiating funding of a regional housing finance consultant based in Chile. With approximately \$250,000 annually beginning in FY 1990, about 70% of the consultant's time will be paid for with A.I.D./Chile program funds. The consultant will be located in a housing sector institution, outside of the A.I.D. offices, with program funds provided for secretarial services, communications and other in-country logistic costs. In addition, this activity will support periodic training and short term consultancies by a variety of experts to be carried out collaboratively with RHUDO/SA.

D. Potential Issues

The proposed technical assistance will be required only if agreement is reached with the Government of Chile on the new Housing Guarantee Program.

15

NEW ACTIVITY DESCRIPTION

Activity: Vocational Education Support

Activity Funding: \$280,000 LOP, FY 1990-92

Functional Account: EHR

A. Relationship to A.I.D. Country Strategies/Objectives:

Technical vocational education in Chile was partially privatized during the military regime -- i.e., some private administration of state-financed schools -- with mixed results. The newly elected government must consider policy and program options for improving vocational education and skills training. This activity will assist the moderate elements of both the government and the private sector to work together to modernize technical training, thereby avoiding a return to a strong centralized State approach or an unregulated for-profit only approach. In this process, the activity will directly promote increased social responsiveness of the Chilean private sector.

B. Conformance with Bureau ADC Guidance:

This activity will promote broad based economic and social develop using the private sector.

C. Project Description:

A cooperative agreement will be executed with CIDE (the Center for Education Studies and Development), a private non-profit think tank. The activity will: (a) strengthen CIDE's institutional capacity to serve as a resource center for technical education; (b) support a variety of events (such as workshops, in-country training, technical exchanges, conferences, attendance at international meetings, observational travel) designed to bring about consensus among the private sector, government officials, and the educational community regarding improvements to Chile's technical education system; and (c) assist selected pilot or demonstration schools to install modern management systems. CIDE will draw on technical expertise from the U.S., Chile, and other Latin American countries as appropriate. The S&T/ED project on educational technology may also be a source technical assistance since Chile is well started for the application of computer based distance learning approaches.

D. Potential Issues:

To serve as an effective consensus builder, CIDE must be able to demonstrate a balanced approach and maintain acceptability among diverse institutions with varying interests. Close monitoring will be required to assure that this balance is achieved.

NEW ACTIVITY DESCRIPTION

Activity: Improvement in Administration of Justice

Activity Funding: \$1 million FY 1991, \$1 million FY 1992
LOP \$2.5-3M

Functional Account: PSEE

A. Relationship to A.I.D. Country Strategy/Objectives:

This activity supports the Chilean transition to democracy by assisting Chile to establish an independent and efficient judiciary, one of the cornerstones of a functioning democracy.

B. Conformance with Bureau ADC Guidelines:

This activity will strengthen democratic institutions.

C. Project Description:

This activity is expected to have four major components -- judicial training, court administration, legal services and neighborhood courts -- implemented through direct grants to both private and public sector entities.

Major outputs will include training for a significant number of justices and judicial staff in court administration techniques; a reinvigorated school of judicial studies with regional outreach and courses designed for in-house judicial training; an improved system of providing legal services to the poor, including possible support to a Ministry of Justice initiative to establish local level community courts.

Inputs will consist of technical assistance in both design and evaluation stages of the program, as well as exchange visits to view U.S. court administrative functions and organization. There may be a role for the American Bar Association or the American Judiciary Society should Chileans reinstate judicial standards and/or licensing of professionals.

D. Potential Issues:

The activity design will have to carefully establish the correct mix of Chilean and U.S. technical assistance and training to be provided. The U.S. legal system with an oral tradition and jury system is distinct from the Chilean system of judge as investigator and dispenser of justice. However, in court administration, the U.S. system is highly advanced, with effective methods and technologies which could be adopted by the Chilean courts.

17

NEW ACTIVITY DESCRIPTION

Activity: Civic Education

Activity Funding: \$500,000 FY 1991, \$500,000 FY 1992
LOP \$2 Million

Functional Account: PSEE

A. Relationship to A.I.D. Country Strategy/Objectives:

Civic participation is a fundamental element of a functioning democracy. Effective civic participation, however, requires an educated electorate which is aware of a citizen's role, responsibilities and privileges in a democracy. This activity proposes to help strengthen the Chilean transition to democracy through support to civic education.

B. Conformance with Bureau ADC Guidelines:

This activity will strengthen democratic institutions.

C. Project Description:

There are four major components of this grant: training for effective citizen participation in local government, focusing on municipal elections next year; orientation and training for young people in both the privileges and responsibilities of living in a democracy and urging their active participation; working with women's organizations at all levels to encourage and train them for active political participation at both the local and national levels; and, investigating how PARTICIPA can become financially self-sustaining.

Funds for this activity will be obligated through a direct grant to PARTICIPA, a Chilean NGO. Major outputs will include Chileans, at all levels of society and political convictions, aware of their citizenship roles, privileges and responsibilities, through the use of manuals, radio and television, encounter groups, seminars and one-on-one contacts (at the community level). Major inputs will include technical assistance and training for PARTICIPA staff so that they can train their volunteers. Technical assistance will also be needed for publications and communications design, visual aids and learning modules.

D. Potential Issues:

The director of PARTICIPA is an intelligent, active and much sought-after charismatic leader. The FY 1990 bridge grant through IIDH and CAPEL in Costa Rica is designed to fortify the institution and train staff so that PARTICIPA would continue should the leader become involved in other activities. Progress will need to be monitored during the current year.

NEW ACTIVITY DESCRIPTION

Activity: FINAM (new Chilean Affiliate of Women's World Banking of N.Y.) - Microenterprise Development and Access to Credit for Women-Owned or Family-Based Businesses.

Activity Funding: \$200,000 LOP

Functional Account: PSEE

A. Relationship to A.I.D. Country Strategy/Objectives:

FINAM's 50 founding members are among the most successful businesswomen in Chile. As FINAM gains institutional capacity and demonstrates an ability to operate efficiently, it will become an effective vehicle for mobilizing increased voluntary support and social responsiveness of the Chilean private sector.

B. Conformance with Bureau ADC Guidelines:

This activity will promote broad based economic and social development using the private sector.

C. Project Description:

The two major project components are training in small business management for low-income women entrepreneurs and providing access to appropriate credit opportunities (first through a small revolving fund managed by FINAM and later graduating to commercial bank credit). A third component, of secondary importance, is providing access to marketing opportunities, national and international, if feasible.

During FY 1990, A.I.D./Chile (through a buy-in to the Genesys project and with matching funds from PPC/WID) provided FINAM with technical assistance for institutional development and outreach activities. A.I.D./Chile will continue to draw on WID support for technical assistance as needed during FY 1991-92.

Major outputs will include at least 75 small revolving fund loans and 15 commercial credit loans made to microenterprises headed by women and the design and execution of an evaluation of the FINAM program and impact study on the loan grantees.

D. Potential Issues:

FINAM has a dynamic board and excellent knowledge of and access to domestic resources; however, it is also a new and inexperienced organization. Accordingly, close oversight and support with technical assistance at this formative stage must be built into project activities.

ABSTRACT

Project Evaluation: Consulting Assistance on Economic Reform

by

David Callihan, Gary Fields and Joan Parker

August 1993

A.I.D.'s Office of Small, Micro and Informal Enterprise of the Bureau for Private Enterprise contracted this report to evaluate the Consulting Assistance on Economic Reform (CAER) project, the purpose of which is:

...to enhance A.I.D.'s capacity to assist developing nations to introduce and to maintain appropriate economic policies at the macro, sectoral, and project level.

The evaluation examined:

- the degree to which the project's objective has been achieved;
- overall performance and effectiveness;
- dissemination of the project's technical learnings; and
- project management and operations, including the project structure.

A.I.D. also asked the evaluation team to recommend whether or not there should be a follow-on project and, if so, to suggest design modifications.

The evaluation report concluded that the CAER project has proven itself a valuable resource for A.I.D. field missions and Washington bureaus, and strongly recommended that a follow-on project be designed. The report's Executive Summary provides an excellent presentation of the report's principal findings and recommendations. USAID Missions and Washington Offices that have used CAER services should also find Section III and Annex D of particular interest, as they provide technical reviews of selected core and buy-in activities implemented under the project.

PRE/SMIE:FDuncan:10/15/93:CAER.EVL

REVIEW OF CHILE ACTION PLAN FOR FY 1991

- 1992

CHILE

ACTION PLAN

PD-ABG-895

1 OF 1 (24X)

1990